



National Cable & Telecommunications Association

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The Honorable Daniel K. Inouye
Chairman
Committee on Commerce, Science,
and Transportation
United States Senate
Washington, DC 20510

The Honorable Ted Stevens
Vice Chairman
Committee on Commerce, Science,
and Transportation
United States Senate
Washington, DC 20510

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Joe Barton
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Edward J. Markey
Chairman
Subcommittee on Telecommunications
and the Internet
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Fred Upton
Ranking Member
Subcommittee on Telecommunications
and the Internet
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mssrs. Chairmen, Mr. Vice Chairman, and Mssrs. Ranking Members:

As your committees examine broadband deployment in the U.S. and abroad, we wanted to share with you our perspective regarding the significant progress that has been made in this country with respect to both broadband deployment and adoption. As detailed below, the news on both fronts is far better than commonly asserted.

Broadband deployment in this country continues to grow at a robust rate, and the number of consumers who have signed up for high-speed Internet service in the U.S. far exceeds that in any other country in the world. In the case of cable, which is the largest provider of broadband services in the United States, deployment is the result of our having invested over \$110 billion in the last decade in order to provide high-speed Internet access and other advanced services.

Based on company data collected by the Federal Communications Commission (FCC), as of June 30, 2006, cable high-speed Internet service was available to 93 percent of households that could access cable TV service. We think that number is even higher: a recent report by Kagan Research shows that cable broadband service is available to more than 94 percent of all U.S. homes. In addition, the phone companies' Digital Subscriber Line (DSL) service was available to 79 percent of households who could access ILEC telephone service.

Moreover, the availability of broadband service continues to grow, and the price-per-megabit continues to drop, due to a highly competitive marketplace that will only be more competitive as new technologies are deployed. Research and Markets estimates that within five years, there may be as many as 20 million WiMax (high-speed wireless) subscribers and Parks Associates estimates that by the year 2011 there will be 2.5 million broadband-over-power line subscribers.

While the price for high-speed Internet access is on the decline, broadband speeds continue to increase. In 1996, when cable first offered high-speed Internet service as an alternative to dial up access, the speeds were approximately 1-1.5 Mbps. Today, most cable operators offer broadband speeds topping 5 Mbps and some operators, such as Cablevision, offer speeds up to 50 Mbps. Others, like Comcast, offer a service that provides for "boosts" of higher speeds ranging from as high as 10-20 Mbps on an on-demand, capacity-available basis. Many cable operators will soon deploy a new architecture (DOCSIS 3.0) which will allow speeds above 100 Mbps.

Other indicators of the great success of broadband in this country include its impact on commerce. A Jupiter Research analyst has estimated that by 2010, the Web will affect half of all retail sales, encompassing consumers going online for pricing and product research in addition to actually making purchases. Forrester Research predicts that U.S. e-commerce will account for 13% of total retail sales by 2010. The U.S. Census Bureau recently announced that e-commerce sales were an estimated \$109 billion in 2006, accounting for 2.8% of total retail sales.

Unfortunately, the high rate of broadband deployment and availability in the United States is often overshadowed by figures that indicate broadband adoption rates in the U.S. lag behind other countries. While the U.S. ranks 15^h in some listings¹, when it comes to broadband adoption, this country has the largest total number of broadband subscribers in the world, representing more than 30 percent of *all* the broadband connections in Organization for Economic Co-operation and Development (OECD) countries. According to the *Networked Readiness Index* that was recently released by the World Economic Forum, the U.S. "maintains its primacy in innovation, driven by one of the world's best tertiary education systems and its high degree of cooperation with the industry as well as by the extremely efficient market environment displayed."² In addition, the U.S. led or was second in market environment, number of Internet hosts, e-government readiness, infrastructure environment, Internet sever security, low-cost broadband, research institution quality, cluster development, and number of PCs.³

¹ OECD Broadband Statistics to December 2006, released: 23 April 2007.

http://www.oecd.org/document/7/0,2340,en_2649_34223_38446855_1_1_1_1,00.html

² World Economic Forum press release, March 28, 2007,

http://www.weforum.org/en/media/Latest%20Press%20Releases/gitr_2007_press_release

³ Communications Daily, March 29, 2007, page 14.

Kagan Research estimates that there were more than 49 million households with broadband service at the end of 2006, and the number of broadband customers continues to grow dramatically. The FCC reports that between June 2001 and June 2006, the number of U.S. broadband subscribers grew by 600%. The U.S. also ranks number one in the world in total Internet users (205 million) and Wi-Fi hotspots (40,000, or one-third of all the hotspots in the world).

Broadband adoption rates in the U.S. reflect a number of economic, cultural and demographic characteristics that are unique to this country. First, more than 26 percent of U.S. households still do not own a computer. Second, it is estimated that more than 21 percent of U.S. households continue to rely on dial-up Internet access for basic email and limited browsing functionality, even though most of them have one or more high-speed Internet service options available to them. And while it may seem inexplicable, not every consumer yet sees the need to switch to broadband – a recent Pew Internet and American Life project survey reported that nearly 60 percent of these dial-up users said they are not interested in switching to broadband.

Finally, I believe that it is important to resist comparing the U.S. with much smaller regions like Hong Kong, which is 422 square miles, or Iceland, where almost 93 percent of its inhabitants live in urban areas. Compared to most of the nations that rank “ahead” of the U.S. in broadband penetration, the U.S. is geographically vast and significantly less dense. Korea, often mentioned as a leader in broadband, is 16 times more densely populated than the United States, and more than half of Koreans live in large apartment buildings, while 75 percent of Americans live in single-family dwellings. It is clear that factors like geography, distance, and population concentration and urbanization are critical to the pace and success of investment in any network, not just broadband.

We believe that there is an appropriate role for the government to continue to roll back barriers to broadband deployment, particularly in the area of spectrum policy. But we also believe that we should take care to make sure we have correctly identified the “problem” that needs to be solved – which, first and foremost, should be the availability of broadband services in areas of the country currently unserved. We recognize that there are still remote rural areas across the United States that lack access to affordable broadband service. We would thus urge that existing and future federal initiatives to promote ubiquitous broadband availability should be more carefully targeted to these unserved areas of the country.

To that end, the cable industry supports a number of legislative initiatives and government programs designed to promote broadband deployment to areas that lack access to high-speed Internet service:

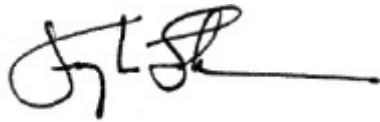
- Tax credits or other tax incentives to providers that build out in rural areas that are unserved by an existing broadband provider.
- Reform of the RUS broadband loan program so that funding is targeted specifically to unserved areas.
- Any use of USF money to support broadband deployment should be targeted to unserved areas.
- Expansion of the FCC's Lifeline and Link-Up Programs to help ensure that broadband access is extended to low-income households.
- Public-private partnerships to provide broadband in unserved areas.

- Passage of H.R. 743 and S. 156 that would make permanent the current moratorium on Internet access taxes and unfair taxes on electronic commerce.

Lastly, we are concerned that various proposals to regulate the Internet – particularly those advanced in the name of “net neutrality” – would hinder the widespread investment in and deployment of broadband that everyone says they want, both in new competing technologies as well as in advanced networks provided by cable and other industries.

Thank you for the opportunity to more fully explain our perspective on this important issue. We look forward to working with you on constructive solutions that promote investment and innovation.

Sincerely,

A handwritten signature in black ink, appearing to read 'KLS', with a long horizontal line extending to the right.

Kyle McSlarrow

cc: Members of the Committee on Commerce, Science, and Transportation, United States Senate
Members of the Committee on Energy and Commerce, U.S. House of Representatives